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ABSTRACT

This report describes the activities of the New York State Higher Education Services Corporation (HESC) during the 1995-96 fiscal year. It provides an overview of student and parent financial aid programs, including the Tuition Assistance Program (TAP), the largest state grant program in the United States. Major advances reported for 1995-96 included efforts to emphasize student access, college affordability, and academic achievement, such as legislation that will permit HESC to join with the federal government and out-of-state colleges to guarantee student loans in other states, advances in default prevention, and growth in HESC's electronic funds transfer program. Seventeen tables provide data on student loans (including number and amount of loans guaranteed, loans outstanding, collections on defaulted loans, and default purchases and trigger rates), grants and scholarships (including TAP recipients and expenditures by level of study and institution type and number and dollar amount of scholarships and awards), aid administered by HESC, aid applications received and processed, training workshops, customer services, and publication and video distribution. The report also includes financial statements. (MDM)

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1995-96 Annual Report

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George E. Pataki, Governor
Robert J. Maurer, President

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HESC – Expanding Educational Access and Achievement

Highlights

	1995-96	Change from 1994-95
Overall Program:		
Total Applications for Aid	921,000	-3.2%
Total Aid Administered	$2,179,825,000	-10.4%
Training of College, High School, and Bank Personnel	2,893	+12.2%
Grants and Scholarships:		
Tuition Assistance Program (TAP) Awards	$615,889,000	-2.4%
Average Undergraduate TAP Award	$2,216	+4.0%
Other Grant/Scholarship Awards	$24,852,000	-6.4%
Student Loans:		
Loans Approved	380,435	-19.3%
Dollar Value of Loans Approved	$1,539,084,000	-13.2%
Average Loan	$4,046	+7.5%
Loans Outstanding	$8,216,572,000	+14.7%
Student Loans In Repayment (at Year End)	$5,704,766,000	+13.8%
Total Loans Purchased	$247,816,000	+21.7%
Collection on Defaulted Loans (excludes IRS income tax offset)	$133,444,000	+.3%

New York State

Higher Education Services Corporation

1995-96 Annual Report

GEORGE E. PATAKI, Governor

ROBERT J. MAURER, President

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(As of March 31, 1996)

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President
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Director
Corporate Relations

Letter of Transmittal

To:

Honorable George E. Pataki
Governor of the State of New York

The Regents of the University of the State of New York

Honorable Joseph Bruno
Temporary President of the New York State Senate

Honorable Sheldon Silver
Speaker of the New York State Assembly

Finance Committee
The New York State Senate

Ways and Means Committee
The New York State Assembly

Higher Education Committee
The New York State Senate

Higher Education Committee
The New York State Assembly

We are pleased to transmit the Annual Report of the New York State Higher Education Services Corporation for 1995-96. The report is submitted in accordance with the New York State Education Law, Section 653, Subdivision 3.

Sincerely,

Matthew Schure
Chairman of the Board of Trustees

Sincerely,

Robert J. Maurer
President

Letter from the Governor

The New York State Higher Education Services Corporation is the nation's foremost college financial assistance agency for students and their families. HESC helps make college affordable and assures access to New York's outstanding public and independent universities, community colleges, and career schools.

Each year, approximately one half million students and their families receive Tuition Assistance Program grants, scholarships, or other awards, or participate in the Federal Family Education Loan Program administered by HESC. New York's Tuition Assistance Program (TAP) is the nation's largest effort to assist students to afford college—larger than the next three state programs combined.

New Yorkers are proud of their students who pursue a college education. It is their ladder to personal fulfillment and economic independence. I am committed to continuing our efforts to assist students and their families to meet the costs of a college education through availability of grants and loans.

Major changes were adopted by the Legislature during 1996 in order to emphasize student achievement and college academic standards. Next year, 5,000 outstanding New York students will receive awards of $500 or $1,000 for each year of study at a New York college. Additionally, the Legislature approved my recommendation to establish a "C" average requirement for Tuition Assistance Program awards in the fifth semester of study to assist students toward timely completion of their education. Students without a high school diploma will be required, before qualifying for a Tuition Assistance Program grant, to pass an approved ability-to-benefit test, assuring that they can perform at acceptable academic standards.

The future of New York rests on the education of our citizens. We all must be prepared to work in an information society across international borders that requires higher and higher levels of academic and career skills. It is my priority to help students reach the educational gateway to employment and lifelong independence.

Yours truly,

George E. Pataki

Letter from the Chairman

During this year, HESC has again worked diligently to meet the challenges of administering student financial aid programs. The Board and the staff maintained and enhanced HESC's quality financial aid services to New York's students, schools, and lenders in the face of reduced government resources, increased competition among aid providers and administrators, and uncertainty about the future of the federal loan programs.

HESC has continued to improve its electronic loan processing options and to streamline Federal Family Education Loan (FFEL) Program loan processing for students, families, schools, and lending institutions. The Agency has entered into a dynamic partnership with lending institutions to insure that the FFEL services offered in New York State are the best available.

During this year, HESC also embarked on a major initiative to improve the State financial aid processing systems. The redesigned Grants and Scholarships processing systems will simplify processing for students and schools and will improve HESC's ability to respond to changes in circumstances which occur during a student's educational career.

As Chair of the Board of Trustees during this year, I have been proud to support these initiatives. Although my term as a member of the Board has ended, I know that the new Board members and officers will support the Agency as it prepares to meet new challenges in its pursuit of continued excellence.

Sincerely,

Matthew Schure

Matthew Schure
Chairman of the Board of Trustees

Letter from the President

The Higher Education Services Corporation (HESC) was formed more than two decades ago, an amalgam of a public benefit corporation, the Higher Education Assistance Corporation, and a State program of grants and scholarships. Its public policy mission serves students and families, colleges and schools, banks and financial institutions, and federal and State agencies.

In 22 years, HESC has assisted millions of students in gaining access to the education so necessary for their success. The Corporation has also effectively assisted colleges in the business of student financial aid through provision of efficient telecommunication and computer-based grant and loans systems. For State and federal government, HESC administers the grant, scholarship, and loan programs at the least cost to the taxpayer.

For the more than 300,000 students who qualify for income-based Tuition Assistance Program (TAP) awards each year, HESC facilitates access to college or a career school education. For the almost 250,000 students and families who participate in the Federal Family Education Loan (FFEL) Program, HESC assures a means to meet the cost of college.

Major advances during 1995-96 included:

- Governor Pataki's successful effort to emphasize student access, college affordability and academic achievement. Changes approved by the State Legislature will establish 2,000 new scholarships of academic excellence of $1,000, and 3,000 scholarships of $500 to be awarded in 1997. Additionally, students reaching their fifth semester of study must achieve a "C" average, while those seeking Tuition Assistance Program awards without high school diplomas must pass an approved ability-to-benefit test.
- Implementation of a program change in TAP to encourage students to complete 2-year programs promptly and graduate. Students in 2-year programs now can receive a maximum of 3 years of TAP payments. TAP also now covers up to 90 percent of tuition at public institutions, compared to 100 percent in the past.
- Additional legislation that will permit HESC to join with the federal government and out-of-state colleges to guarantee student loans in other states. As the federal student loan marketplace changes due to the Federal Direct Education Loan Program, this new authorization will

We Serve Our Student Customers

- ✔ The New York State Financial Aid Administrators Association and the New York State Higher Education Services Corporation annually sponsor **Financial Aid Awareness Month (FAAM)**. The nation's largest public information campaign for student financial aid, FAAM annually reaches tens of thousands of New Yorkers with application assistance and program information to help them pay for their college education.
- ✔ Hundreds of thousands of New York students rely on **HESC publications** as their first source for State and federal financial aid information.
- ✔ HESC provides a unique **video service**—up-to-date information from New York's financial aid professionals—to high schools, colleges, and community organizations.
- ✔ Over 100,000 high school students and their families get college planning help from HESC at **college fairs and other public events**.
- ✔ HESC developed a financial aid **home page on the World Wide Web**, providing students with additional access to information about State and federal financial aid programs and services. The home page links to other home pages to get information on colleges, private scholarships, and aid estimates.
- ✔ The **Ready, Set, Go!** Project provides timely information to middle school youngsters, high school students, and their parents and guardians. HESC publishes three newsletters focusing on career awareness, exploration, and career options. Students learn about the connection between career choices and the schooling they require; and planning and paying for these educational opportunities beyond high school.

The Ready, Set, Go! Project receives grants from:

- American Express Foundation
- Chase
- Cornell University
- Crestar Bank
- Fleet Bank
- Nellie Mae
- NYS Education Department
- NYS Financial Aid Administrators Association
- Sallie Mae
- Syracuse University

We Serve Our College Customers

✔ HESC and the following **Consortium of lenders and servicers are committed to improving service** to schools with a streamlined FFEL process that maximizes options and electronic capabilities.

- Academic Management Services (AMS)
- AFSA Data Corporation
- ALBANK
- Bank of Boston
- Chemical Bank
- Citibank
- Crestar Bank
- Educaid
- Education Finance Center, Inc.
- First Union National Bank, North
- Fleet Bank
- Household Bank
- Independence Savings Bank
- KeyBank USA
- Lockport Savings Bank
- Long Island Savings Bank
- Manufacturers and Traders Trust Company
- Marine Midland Bank
- Nellie Mae
- OnBank & Trust Co.
- PNC Bank, N.A.
- Richmond County Savings Bank
- Rome Savings Bank
- The Roslyn Savings Bank
- Sallie Mae

provide HESC the ability to efficiently maintain its services to New York. This advance will also retain New York's lending and financial services companies in the federal student loan program. New York banks, from the largest multinational financial institutions to the smallest regional banks, have been founding and sustaining partners with New York State to provide students and parents access to affordable loans.

- Advances in default prevention. HESC's default rate dropped to 2.9 percent of loans in repayment, reflecting HESC's effective efforts to avoid defaults by working with students on repayment plans before a default occurs. HESC avoided a record number of defaults this year, bringing the total number of students in repayment up to 710,000. HESC also recovered $133.4 million in defaulted funds.
- Growth of HESC's Electronic Funds Transfer (EFT) program. HESC's EFT has transmitted more than $1 billion directly to schools since the program started in 1993, speeding processing, reducing paperwork and putting money to work for the student and schools more quickly.
- Expansion of New York State tuition award benefits to include Persian Gulf veterans, and to support graduate-level study by both Vietnam and Persian Gulf veterans.

Other advances are happening at light speed, into a future of Web sites, information links, instant approval of loans, and enhancements to Electronic Funds Transfer from banks to colleges to students. Telecommunication and computer advances via the Internet and dedicated communications lines are affording HESC many ways to better serve our customers—students and parents, colleges, and financial institutions.

In this first year of my stewardship, HESC is actively reclaiming its public policy mission by re-engineering its administrative systems and seeking to redesign its programs to benefit students and colleges and to lessen costs to the State and federal government.

Our renewed HESC mission is to:

- Assure that income is not a barrier to educational attainment. All students who qualify have access to grants and scholarships, loans, and coordinated federal and private financial aid.
- Offer the lowest cost of origination and repayment for students and parents who borrow.

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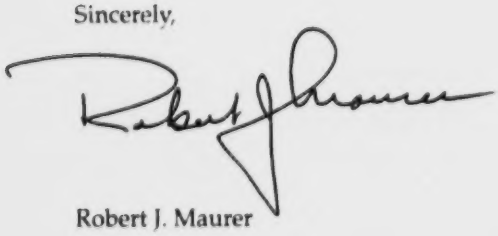
- Simplify and expedite delivery of TAP and other awards, student and parent loan approvals, and disbursements—with less paperwork, fewer complications, and with flexibility to meet differing college operational environments.
- Provide information to students from middle school through college about access to, and affordability of, a college education via the Internet, publications, and interactive computer information programs.
- Assist colleges to maintain an efficient and effective, business-like financial aid system, from admission to graduation.
- Reduce the cost of administration of grants and loans programs to the State and federal government.
- Assure that New York's lenders and community banks, as the single largest employer in New York, continue to be able to participate in the federal student loan program.
- Join with other state student loan guarantee agencies to share system technologies and to establish strategic business partnerships, thereby reducing costs and improving service to students and colleges.

To accomplish these objectives, HESC will continue to work with colleges and financial institutions to pursue the business of education in an efficient and effective means. HESC will continue its partnership with college financial aid officers, bursars, registrars, and college presidents to lessen the administrative costs of financial aid at the school level. With New York financial institutions and other state guarantee agencies, HESC will seek to streamline and simplify the process and lower the costs of the student loan program to the borrower.

Finally, in partnership with students, parents, colleges, and lenders, HESC will continue to be an advocate for students, to reach their goals of a college education at an affordable cost.

Sincerely,



Robert J. Maurer
President

- ✔ HESC annually **trains over 3,000** school, college, and lender administrators at workshops, conferences, and customer service meetings.
- ✔ **Opportunity Assessments** are a new approach for HESC and schools to collaboratively improve service to students while reducing costs. These intensive, two-day visits with top school administrators result in an agreed-upon implementation plan with follow-up support from HESC. HESC has scheduled or conducted several visits, with more to come.
- ✔ On-site **program implementation visits**, technical electronic processing visits, and technical regulatory compliance visits to our customers.
- ✔ Over **12,000 telephone inquiries** about FFEL Program policies were answered.
- ✔ Technical **computer assistance** is available on a 24-hour basis.

Overview

Student & Parent Financial Aid Programs

PROGRAM		ACTIVITY		HIGHLIGHT
Tuition Assistance Program	Largest state grant program in the U.S.	286,154 recipients SUNY - 47,450 CUNY - 41,073 Independent - 36,994	$615,889,000 SUNY - $163 million CUNY - $138 million Independent - $238 million	◆ System redesign in process ◆ TAP Task Force appointed

TAP provides from $275 to $3,900 per year for undergraduate or $75 to $550 for graduate study in New York State. A companion part-time study program provides up to $2,000 per year.

Other Grants and Scholarships	Special-purpose or selected recipient program	27,052 awards	$24,852,000	◆ New programs for Persian Gulf veterans and top high school graduates

Programs include awards for children of deceased or disabled veterans, correction and police officers, and firefighters; Vietnam and Persian Gulf veterans; and those pursuing study for the professions.

Loans	Guarantee	380,435 loans	$1,539,084,000	◆ Pre-Approved Loan processing increased by 1,600%
	Disbursement	Electronic disbursement possible for 80% of volume		◆ Hit $1 billion in electronic loan disbursements

HESC offers student and parent loans for up to $5,500 per year for undergraduates depending on the year in school and for up to $10,000 per year for graduate students. In coordination with lenders and loan servicers, HESC offers a full range of support services including debt counseling as a means of default prevention.

Services

PROGRAM		ACTIVITY	HIGHLIGHT
Service to Students and Families	Walk-in counseling, outreach events, home page publications, videos, TDD, loan servicing, debt management	1,394 walk-in visitors 990 loan administrative reviews 4,017 student servicer issue calls 144,000 loan application inquiries $1.5 billion in defaults returned to repayment	◆ Introduced Web site: www.hesc.com ◆ Introduced high school and parent newsletters to complement middle school newsletter ◆ Multi-guaranty agency World Wide Web Home Page "Mapping Your Future" site: www.mapping-your-future.org
Service to Schools, Colleges, and Lenders	Full range of administrative support services for college and lender administrators	12,709 policy inquiries handled 98 solution visits 17 technical assistance visits 256 customer services visits 43 compliance reviews 58 training events	◆ Introducing 2-day "opportunity assessments" at selected institutions
Electronic Financial Aid Network-EFAN	Ongoing software development	89% of loan applications came through EFAN	◆ PATH for Windows in '97 ◆ Focus and user groups ◆ Distributed new ABLE-2 for calculation of loan amounts, expected family contribution, Pell, and TAP
Perkins Loan Servicing	Service for all colleges	Under construction	
Alternative Loans	Meet the costs of education not covered by FFEL and PLUS	Under construction - joint processing of FFEL with lenders' private loans	◆ Investigating a statewide lender-financed alternative loan
Service to Professional Organizations	Exchange views and solutions with professional organizations	Reach out to registrars, financial aid professionals, business officers, admissions officers, bursars, consumer bankers	◆ Major presence at the NYSFAAA, SUNYFAP, and NYSOBBA annual conferences
Debt Management	Default prevention services for lenders, students, and schools	$1.5 billion in delinquencies and defaults avoided $133 million collected in loan payments	◆ Operate a nationally acclaimed default prevention effort ◆ Establish repayment assistance program ◆ Implemented administrative wage garnishment

HESC NEW YORK STATE HIGHER EDUCATION SERVICES CORPORATION

HESC is committed to working with and serving its educational institution customers so that they can assure affordable access to students. HESC is striving to meet the financial aid needs of all students, and is developing ways to tap all available resources—State and federal grant programs, work-study programs, loans, college-based grants, and family contribution.

THE CHANGING ENVIRONMENT

New York's integrated approach to student financial aid administration has served the higher education community well for over two decades. Recent changes in federal loan programs have served as a catalyst for HESC to re-examine the way we meet the needs of our diverse group of customers—students, parents, colleges, and financial institutions. HESC's strong leadership, and the college and student loyalty earned over the years, have prevented severe loan volume losses experienced by many agencies in other states. Because of our quality of service, HESC remains in a solid financial position.

HESC PROFILE

Twenty-two years ago, New York's Higher Education Services Corporation was created by joining the State's Tuition Assistance Program (TAP) grants and scholarship administration and the designated federal student loan guarantee agency (formerly an autonomous public benefit corporation). The intent of this merger was to create an effective, coordinated administrative program to assist students in affording college.

State expenditures for grant and scholarship programs have grown over 74 percent just since 1991. During the same period, increases were achieved in federally supported Pell grants, work-study programs, and in the availability of student loans. The State and federal programs offered to New Yorkers provide the most generous financial support of students found anywhere in the United States.

This past year, HESC processed 566,400 applications for TAP and other grants and scholarships, awarding over $640 million to 342,300 eligible New Yorkers attending the State's public and private colleges and business schools.

In 1995-96, HESC employees processed and approved 380,435 Federal Family Education Loan (FFEL) Program applications, guaranteeing $1.5 billion in loans to almost 250,000 students. HESC's outstanding guarantee portfolio is $8.2 billion. There are 710,000 students in repayment.

HESC relies heavily on its computer and electronic data

A record $133.4 million in defaulted loans was collected by HESC (excluding IRS offsets) and millions of dollars more in delinquent loans were successfully averted and returned to lenders as active accounts.

Default Loan Finance processed over 248,000 requests for Pre-Claim Assistance:

80%	***were averted***
73,000	***default claims were processed***
13%	***of default claims were averted***
$1.5 billion	***default avoidance***
$133.4 million	***collected***

HESC received and processed 366% more National Student Loan Clearinghouse transactions over the previous year.

processing operations, its telecommunications systems, and its large numbers of support personnel. HESC functions as a debt collection coordination agency and a major distributor of money through an Electronic Funds Transfer (EFT) system—transmitting over $1 billion since 1993.

HESC REDESIGN

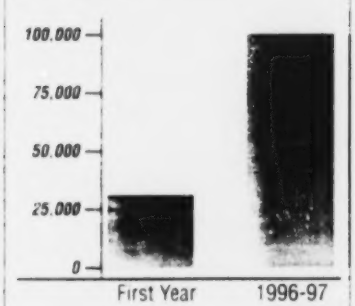
To improve its competitive position, HESC began redesigning its administration, its grants and scholarship programs, and its customer services in 1995-96. This redesign includes:

Student Loan Program Streamlining

To assist the State's $1.5 billion bank-based student loan business and to better serve the State's educational institutions, HESC is strengthening its position as a one-stop-shopping financial aid agency, serving students and parents while lowering administrative costs to colleges. HESC is streamlining its administration of loans to achieve lowered costs and increased revenues. This goal is being reached by:

- Cooperating with lenders to launch a Re-engineered FFEL Program that is competitive with the operational conveniences of the federal direct loan product — colleges can originate loans, receive the student's loan proceeds, and track the student's records — all without paper, all electronically.
- Enhancing service to its lending and college customers by disbursing over $1 billion through its Electronic Funds Transfer (EFT) system. There is also an EFT Refund process, which allows participating schools to return unused student loans to lenders.
- Building a HESC business plan for the new student loan marketplace by:
  - Developing new products — alternate loans, an organized New York secondary market, financial aid management advisory services, loan servicing, and Perkins loan program servicing capacity;
  - Generating non-FFEL income to support TAP administration and other New York State student financial aid initiatives.
- Gaining legal authorization from the Governor and the Legislature to lend and guarantee student loans outside New York State. Chapter 202 of the Laws of 1996 means that HESC can lead New York banks to market in other states, bringing revenue and loan servicing jobs to New York.
- In fall 1996, HESC introduced The Options Program to provide a comprehensive package of financial aid services to meet each school's individual needs. The program integrates TAP and loan functions and will provide origination and servicing of supplemental loans, Perkins Loans servicing, and Title IV verification support.
- Developing specialized and customized financial aid program proposals for universities and colleges.

Pre-Approved Loans (PAL) Applications



Tuition Assistance Program Reform

The first redesign of the Tuition Assistance Program (TAP) automated processing systems since 1979 is underway. The redesigned system will improve service to students and schools through use of the latest technology.

In response to inquiries and concerns expressed by constituents, HESC set out to broaden the understanding of the Governor's 1996-97 Executive Budget proposals. These activities included:

- Explaining TAP Budget proposals at professional conferences, holding regional dialogues with financial aid directors, authoring articles, and meeting with college presidents and student and college special interest groups.
- Estimating TAP costs by studying coordination of State and federal benefits, the method of wealth determination for students and parents, and cost of attendance as the foundation of student financial requirements.
- Seeking the support of SUNY, CUNY, and the Commission on Independent Colleges and Universities (cicu) for use of the federal Expected Family Contribution (EFC) methodology for determining TAP awards and use of tuition and non-tuition costs of attendance in determining the amount of the awards.
- Creating an alternative TAP concept paper shared broadly with the HESC Trustees, SUNY, CUNY, cicu, and student and financial aid advocacy groups.
- Working with the State Department of Labor and the State Education Department to create a federally funded InVEST program to support students, welfare recipients and the unemployed to gain access to short-term academic skills programs at community and senior colleges, career schools, and community-based organizations, that lead to placement in jobs.

Management Initiatives

HESC has created an administrative and processing operation that is nationally recognized for its efficiency and first-class service to schools throughout the student loan industry. In 1995, HESC developed and launched a Re-engineered student loan product, in cooperation with the major FFEL lenders and the financial aid community, that closely parallels the benefits of the direct loan program. The success of Re-engineered FFEL is based on processing innovations that provide the simplest, most efficient loan process available. This response by HESC management has minimized direct loan intrusion into New York as compared to other states.

HESC has simplified its grants and scholarship processing system to reduce State payroll costs. HESC has advanced its outdated grants and scholarship processing system, which was designed over 16 years ago. In anticipation of future processing needs, HESC's computer system is being completely redesigned, allowing for the implementation of a fully integrated, centralized processing system.

Since November 1995, HESC has instituted a number of management initiatives:

- Introduction of a Quality Assurance program, beginning with development of a corporate mission

Nearly four million student records for TAP and other awards were converted from paper, microfiche, and tape cartridges to CD-ROM. This increases the speed for retrieval of records and significantly decreases data storage space needs.

An additional 45 schools began to use or increase use of HESC electronic media options in processing TAP transactions.

HESC and the Office of State Comptroller implemented a fully automated voucher system. This streamlined payment process reduces the number of payment vouchers from 27,000 to less than 500 per year and decreases the average time to process vouchers from 22 to 15 days.

Administrative Services — Highlights —

Consolidation of office space to reduce rental charges and improve workflow.

Renegotiation of maintenance contracts to reduce annual costs.

Increased use of pre-sort mailing services and effective contracting to reduce mailing costs.

Increased use of the Electronic Financial Aid Network (EFAN) to improve communication with lenders and schools.

and goals statement, and Capital Idea$ — an employee suggestion program that generated nearly 1,000 ideas for cost reduction, program improvements or customer satisfaction. HESC also made nearly 2,000 changes suggested by our customers through the Customer Service Representative visits.

- HESC re-examined its office space requirements and determined where improvements in work flow, office layout, or consolidation could reduce space, and therefore, lease costs. The elimination of non-essential leased space resulted in a savings of $136,000 a year.
- HESC renegotiated maintenance and service contracts to reduce costs. HESC modified its mainframe computer hardware and software maintenance contracts to allow for a single annual payment, rather than 12 monthly payments, for a savings of approximately $78,000 a year on the cost of the maintenance services and reduced administrative expenses associated with processing multiple invoices.
- HESC mails over 8 million letters and packages annually, making it one of the State's larger users of the U.S. Postal Service. During 1995-96, HESC intensified its efforts to reduce costs by increasing the use of pre-sort mail services, and by negotiating a 9 percent discount with United Parcel Service for package delivery. HESC updated mailing lists to reduce undeliverable and returned mail. As part of the Governor's initiative to identify areas for outsourcing where economically sensible, HESC negotiated a contract with an outside firm to provide billing services for defaulted student loans. When fully implemented, this contract will speed the processing and reduce billing costs.

Approximately 180 Agency activities were successfully reviewed for compliance with HESC 's Internal Control Policy.

- Efforts to expand technological solutions that reduce the costs of HESC's operations intensified during 1995-96. HESC's Electronic Financial Aid Network (EFAN) improves communication with lenders and schools while reducing postage, paper, and printing costs.
- To maintain executive-level dialogue with colleges, President Maurer visited 21 institutions since May of 1996. Many of these visits resulted in an Opportunity Assessment to assist institutions in customizing HESC grants and loans systems with their individual administrative and operating environments. The visits also guide HESC in the development of its products and services.
- Opportunity Assessments — an in-depth study of institutional operations and policy and subsequent analysis by a multi-disciplinary team — result in a report of recommendations and implementation steps to the institutional management. HESC began this initiative with visits at New School for Social Research, Broome Community College, Hamilton College, Hofstra University, Manhattan College, Pratt Institute, and SUNY Binghamton.

Executive School Visits

Broome Community College

Bryant & Stratton

Canisius College

The City University of New York - Central

C.W. Post

Culinary Institute

Erie County Community College

Fordham University

Hamilton College

Hofstra University

Jamestown Community College

Manhattan College

Nassau Community College

New School for Social Research

New York University

Niagara University

Pratt Institute

St. Bonaventure

State University College at Buffalo

State University of New York - Binghamton

Touro College

University of Buffalo

FUTURE PLANS

HESC is a major participant in a $1.5 billion a year student and parent loan program activity in New York. This activity provides New York's national, regional, and community banks with a profitable financial product and origination and loan servicing jobs.

This level of activity also makes it possible for HESC to link grants and awards with student and parent loans and soon, alternative loans, in a continuum of student financial aid services for colleges. The administrations student financial aid policy formulation will mirror the level of commitment by colleges to keeping this guaranty and lending business in New York State.

Recent bank mergers could affect student loan servicing employment in New York. Several student loan secondary markets transfer loans previously owned and serviced by New York banks to out-of-state servicers. Alternate loan products offered by other guarantee agencies or out-of-state lenders further deprive New York of financial service jobs. Collectively, these student loan business practices and activities represent a growing trend in lost private sector employment in New York's leading employment sector—financial services.

Direct loans, in effect U.S. Treasury competition with New York lending institutions, threaten to further erode New York's financial interest in the student loan effort.

HESC has begun an active campaign to reverse this trend by reorganizing the State's FFEL Program, working with colleges and lenders and seeking

to better serve students and colleges. By aggregating business for New York-based private sector lenders and servicers, HESC is leveraging its loan guarantee systems by:

- Developing an alternate student loan processing system which will use HESC's loan origination, tracking and student repayment systems, coordinating payment and collections with the FFEL Program—thus helping students in repayment and assisting colleges to speed origination and disbursement;
- Developing alternative funding sources for graduate and undergraduate supplemental and FFEL Program loans, in cooperation with private lenders, to lower the cost to student and parent borrowers;
- Organizing regional and community banks, affected by lost volume due to direct loans and increasing servicing costs, to remain in the FFEL Program by simplifying and supporting their origination, servicing, ownership or sale of loans through HESC—thus maintaining the local economic benefit of colleges participating in the FFEL Program;
- Evaluating ways to assist SUNY and private colleges in financial servicing functions now provided by out-of-state vendors;
- Developing a broader HESC loan servicing capacity for alternative loans, out-of-state FFEL Program loans and adding a consolidated billing feature to HESC service capabilities; and,
- Encouraging student loan program participants to establish origination, servicing and collections capacity in New York for the more than $8.2 billion of HESC outstanding loans.

Just as the future promises to challenge HESC on many levels, the job market will continue to demand more from graduates of our educational institutions. By maintaining its aggressive, pro-active responses to the changing needs of students and parents, HESC will continue to provide excellent service to New York's schools and colleges. HESC's mission is to ensure that all New Yorkers have access to the educational opportunities necessary to succeed in today's world.

Guaranty Agency Joint Efforts

The Higher Education Services Corporation has joined five other guaranty agencies as part of a joint effort to improve service: California Student Aid Commission, Great Lakes Higher Education Corporation, Northstar Guarantee, Inc., Pennsylvania Higher Education Assistance Agency, and Texas Guaranteed Student Loan Corporation.

Current joint efforts include:

- ***developing Internet-based information services to students;***
- ***exploring development of production and transaction software, with each agency contributing information on the services it does best; and***
- ***sharing information on issues of common interest and working on development of a joint position paper to present to Congress as that body considers reauthorization of the Higher Education Act.***

Financial Aid Programs for New York State Students

All programs are described using provisions applicable to the 1996-97 academic year unless noted otherwise. Programs with Remaining Payments lists programs in which students who received an award in the past will continue to be paid; no new awards will be made.

Programs Administered by HESC

Grants
Aid for Part-Time Study (APTS)
Tuition Assistance Program (TAP) and Supplemental Tuition Assistance Program (STAP)

Federal Family Education Loan Programs
Federal PLUS Loans
Federal Stafford Loans
Unsubsidized Federal Stafford Loans
Federal Consolidation Loan Program

Loan Related Programs
Repayment Assistance Program for Defaulters
Regents Loan Forgiveness Program
Rehabilitation Loan Program
Renewed Eligibility for Title IV Aid
Smart Pay Program

Scholarships
Primary Care Service Corps
Memorial Scholarships for Families of Deceased Police Officers and Firefighters
Regents Health Care Opportunity Scholarships
Regents Professional Opportunity Scholarships
Robert C. Byrd Honors Scholarships
Merit Scholarships (1997-98)

Awards
Persian Gulf Veterans Tuition Awards (PGVTA)
Regents Awards for Children of Correction Officers
Regents Awards for Children of Deceased and Disabled Veterans
Vietnam Veterans Tuition Awards (VVTA)

Programs with Remaining Payments
Empire State Scholarships of Excellence
Regents Awards for Children of Deceased State Correction Officers and State Civilian Employees of a Correctional Facility (Attica Award)
Empire State Public Employees Scholarship Program

Other Federal/State Financial Aid Programs for New York State Students

New York State Opportunity Programs
College Discovery (CD)
Educational Opportunity Program (EOP)
Higher Education Opportunity Program (HEOP)
Search for Elevation and Education through Knowledge (SEEK)

Other Programs
Health Professions Student Loans (HPSL)
State Aid to Native Americans
Tuition Assistance for People with Disabilities and Visual Impairments
National Guard Tuition Assistance

Federal Programs
Aid to Native Americans
Armed Forces Loan Repayment Program
Federal Pell Grant Program
Federal Perkins Loans
Federal Supplemental Educational Opportunity Grant (FSEOG)
Federal Work-Study (FWS) Program
Montgomery GI Bill
Reserve Officer Training Corps (ROTC) Scholarships
Veterans Administration Educational Benefits

Data

The data displays use the following definitions:
State Fiscal Year ~ April 1 through March 31
Academic Year ~ July 1 through June 30

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Table 1

Student Loans Guaranteed

All Programs Combined[1]

State Fiscal Year	Number	Amount ($ thousands)	Average
1991-92	357,060	$1,103,985	$3,092
1992-93	399,522	1,202,994	3,011
1993-94	453,359	1,555,942	3,432
1994-95	471,264	1,774,061	3,764
1995-96	380,435	$1,539,084	4,046

[1] Includes Federal Stafford Loans (Subsidized and Unsubsidized), Federal Supplemental Loans to Students, Federal PLUS Loans, and Federal Consolidation Loans.

380,435 student loans were guaranteed for $1.54 billion in 1995-96, ranking HESC in the top three student loan agencies nationally.

The average student loan guaranteed by HESC in 1995-96 increased by 7.5% to $4,046. Since 1991-92, the average loan has increased by 31%.

Table 2

Number of Student Loans Guaranteed by Program

Program	State Fiscal Year 1991-92	1992-93	1993-94	1994-95	1995-96
Federal Consolidation Loans	3,548	2,216	3,011	4,662	5,612
Federal PLUS Loans	23,471	29,209	23,721	23,488	22,871
Federal Stafford Loans	272,533	292,067	313,484	311,084	237,473
Federal Supplemental Loans	57,508	65,506	67,875	8,930	1*
Unsubsidized Federal Stafford Loans	0	10,524	45,268	123,100	114,478
TOTAL	**357,060**	**399,522**	**453,359**	**471,264**	**380,435**
	Percent Change From Prior Year				
Federal Consolidation Loans	50.2	(37.5)	35.9	54.8	20.4
Federal PLUS Loans	21.3	24.4	(18.8)	(1.0)	(2.6)
Federal Stafford Loans	5.8	7.2	7.3	(0.8)	(23.7)
Federal Supplemental Loans	13.8	13.9	3.6	(86.8)	(100.0)
Unsubsidized Federal Stafford Loans	0.0	0.0	330.1	171.9	(7.0)
ALL LOANS	**8.2**	**11.9**	**13.5**	**3.9**	**(19.3)**

* Discontinued program.

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Consolidated student loan dollar volume grew by 26.9% over last year, up to $134.2 million, and PLUS parent loans rose by 9.5% to $144.6 million.

In August of 1996, HESC passed the $1 billion mark in cumulative Electronic Fund Transfer (EFT) dollars awarded through its Federal Family Education Loan (FFEL) Program. The fast growth of this payment option reflects its clear advantage over other payment methods.

Table 3

Amount of Student Loans Guaranteed by Program

Program	State Fiscal Year ($ thousands) 1991-92	1992-93	1993-94	1994-95	1995-96
Federal Consolidation Loans	$71,660	$45,369	$66,399	$105,771	$134,205
Federal PLUS Loans	77,429	97,807	111,434	132,101	144,637
Federal Stafford Loans	795,023	853,157	1,013,906	1,076,846	837,007
Federal Supplemental Loans	159,873	187,433	258,092	27,091	1*
Unsubsidized Federal Stafford Loans	0	19,228	106,111	432,252	423,234
TOTAL	**$1,103,985**	**$1,202,994**	**$1,555,942**	**$1,774,061**	**$1,539,084**
	Percent Change From Prior Year				
Federal Consolidation Loans	55.0	(36.7)	46.4	59.3	26.9
Federal PLUS Loans	23.8	26.3	13.9	18.5	9.5
Federal Stafford Loans	8.3	7.3	18.8	6.2	(22.3)
Federal Supplemental Loans	19.1	17.2	37.7	(89.5)	(100.0)
Unsubsidized Federal Stafford Loans	0.0	0.0	451.9	307.4	(2.1)
ALL LOANS	**13.0**	**9.0**	**29.3**	**14.0**	**(13.2)**

* Discontinued program.

Table 4

Student Loans Outstanding

The value of student loans outstanding in the HESC portfolio jumped by over $1 billion to $8.2 billion — an increase of 14.7%.

State Fiscal Year	Amount Outstanding ($ thousands)	Change From Prior Year Amount ($ thousands)	Percent
1991-92	$6,655,126	$120,106	1.8
1992-93	6,742,100	86,974	1.3
1993-94	6,980,000	237,900	3.5
1994-95*	7,162,616	182,616	2.6
1995-96	8,216,572	1,053,956	14.7

* Correction to last year's figure (rounded off to the nearest thousand).

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Table 5

Collections on Defaulted Loans

State Fiscal Year	Collected[1] ($ thousands)	Change From Prior Year Amount ($ thousands)	Percent
1991-92	$95,135	$8,408	9.7
1992-93	108,189	13,054	13.7
1993-94	119,873	11,617	10.8
1994-95	133,125	13,319	11.1
1995-96	133,444	319	0.2

[1] Excludes data for Internal Revenue Service income tax offset program.

Table 6

Default Purchases and Trigger Rates

Data	State Fiscal Year ($ thousands) 1991-92	1992-93	1993-94	1994-95	1995-96
Current Balance of Loans in Repayment	$4,727,439	$4,854,312	$5,058,109	$5,010,396	$5,978,449
Total Loans Purchased[1]	$218,752	$246,684	$246,798	$203,571	$247,816
Collections of Defaulted Loans[2]	$95,135	$108,189	$119,873	$133,125	$133,444
Trigger Calculation	*Federal Fiscal Year ($ thousands)*				
Loans in Repayment[3]	$7,134,585	$7,438,396	$7,946,108	$6,734,275	$7,325,617
Default Purchases	$265,193	$214,625	$223,609	$201,549	$211,747
Trigger Rate[4]	3.7%	2.9%	2.8%	3.0%	2.9%

[1] Excludes loans purchased as defaults but later bought back by lenders. Includes capitalized interest.

[2] Includes the collection fee paid by borrowers for rehabilitated and consolidated loans; however, excludes data from the Internal Revenue Service income tax offset program.

[3] Total original amount guaranteed of loans in repayment.

[4] Represents the ratio of defaults in that federal fiscal year to the total original amount guaranteed of loans in repayment as of the end of the preceding federal fiscal year.

HESC's federal default rate dropped to 2.9%, well below reimbursement reduction "triggers."

Table 7

Tuition Assistance Program Recipients and Expenditures by Level of Study[1]

	Academic Year				
	1991-92	1992-93	1993-94	1994-95	Estimated 1995-96
Level of Study	*Annual Average Recipients (FTE)*				
Undergraduate	276,617	296,264	297,390	291,665	276,245
Graduate	11,711	12,039	11,724	10,717	9,909
TOTAL	**288,328**	**308,303**	**309,114**	**302,382**	**286,154**
Percent Change From Prior Year	5.7%	6.9%	0.3%	(2.2%)	(5.4%)
	Annual Expenditures ($ thousands)				
Undergraduate	$501,164	$588,940	$594,920	$621,605	$612,245
Graduate	9,720	10,091	9,681	9,264	3,644
TOTAL	**$510,884**	**$599,031**	**$604,601**	**$630,869**	**$615,889**
Percent Change From Prior Year	17.6%	17.3%	0.9%	4.3%	(2.4%)
	Annual Expenditures Per Annual Average Recipient				
Undergraduate	$1,812	$1,988	$2,000	$2,131	$2,216
Graduate	830	838	826	864	368
All	**$1,772**	**$1,943**	**$1,956**	**$2,086**	**$2,152**
Percent Change From Prior Year	11.2%	9.7%	0.7%	6.7%	3.2%

[1] Data are as of September 1, 1996. Data include Supplemental Tuition Assistance Program Awards.

Average student TAP awards grew to $2,152 (+3.2%), with undergraduate average awards increasing to $2,216 (+4%). Undergraduate TAP awards totaled $612.2 million or 99.4% of the total program payout.

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Table 8

Tuition Assistance Program Recipients by Level of Study and Type of Institution[1]

Level of Study/ Type of Institution	1991-92	1992-93	1993-94	1994-95	Estimated 1995-96
	Academic Year				
	Annual Average Recipients (FTE)				
Undergraduate:					
City University					
Senior Colleges	35,702	39,915	42,107	43,043	42,053
Community Colleges	25,462	31,179	32,852	31,236	28,998
CUNY TOTAL	**61,164**	**71,094**	**74,959**	**74,279**	**71,051**
State University					
State Operated	54,522	55,820	55,422	53,799	53,782
Community Colleges	44,234	49,399	50,372	49,541	45,182
SUNY TOTAL	**98,756**	**105,219**	**105,794**	**103,340**	**98,964**
Independent Colleges	86,230	88,673	86,295	85,262	79,889
Other Degree-Granting Institutions	21,337	22,459	20,476	19,132	19,262
Nondegree Business Schools	7,777	7,412	8,587	8,554	6,234
All Other Institutions	1,353	1,407	1,279	1,098	845
UNDERGRADUATE TOTAL	**276,617**	**296,264**	**297,390**	**291,665**	**276,245**
Graduate:					
City University	909	1,006	998	826	835
State University	4,542	4,591	4,390	4,077	3,790
Independent Colleges	6,260	6,442	6,336	5,814	5,284
GRADUATE TOTAL	**11,711**	**12,039**	**11,724**	**10,717**	**9,909**
GRAND TOTAL	**288,328**	**308,303**	**309,114**	**302,382**	**286,154**

[1] Data are as of September 1, 1996. Data include Supplemental Tuition Assistance Program Awards.

Table 9

Tuition Assistance Program Expenditures by Level of Study and Type of Institution[1]

Level of Study/ Type of Institution	Academic Year ($ thousands) 1991-92	1992-93	1993-94	1994-95	Estimated 1995-96
Undergraduate:					
City University					
Senior Colleges	$48,360	$69,301	$75,167	$82,944	$99,452
Community Colleges	34,938	52,192	56,455	55,487	57,188
CUNY TOTAL	**$83,298**	**$121,493**	**$131,622**	**$138,431**	**$156,640**
State University					
State Operated	$66,520	$90,450	$91,894	$94,226	$107,614
Community Colleges	43,692	58,629	64,463	68,395	61,433
SUNY TOTAL	**$110,212**	**$149,079**	**$156,357**	**$162,621**	**$169,047**
Independent Colleges	$221,609	$231,753	$226,635	$238,246	$213,082
Other Degree-Granting Institutions	$68,178	$69,091	$60,374	$60,998	$60,918
Nondegree Business Schools	$15,537	$15,008	$17,571	$18,876	$10,757
All Other Institutions	$2,330	$2,516	$2,361	$2,433	$1,801
UNDERGRADUATE TOTAL	**$501,164**	**$588,940**	**$594,920**	**$621,605**	**$612,245**
Graduate:					
City University	$673	$781	$775	$703	$295
State University	$3,764	$3,856	$3,615	$3,479	$1,393
Independent Colleges	$5,283	$5,454	$5,291	$5,082	$1,956
GRADUATE TOTAL	**$9,720**	**$10,091**	**$9,681**	**$9,264**	**$3,644**
GRAND TOTAL	**$510,884**	**$599,031**	**$604,601**	**$630,869**	**$615,889**

[1] Data are as of September 1, 1996. Data include Supplemental Tuition Assistance Program Awards.

Table 10

Tuition Assistance Program Recipients by Dependency Status and Sector[1]

Sector	Academic Year 1991-92	1992-93	1993-94	1994-95	Estimated 1995-96 Number	% of Total
			Independent Students			
CUNY	30,258	35,663	39,421	41,073	39,387	11.5%
SUNY	37,492	43,878	47,620	47,450	40,925	12.0%
Independent	32,954	34,798	35,765	36,994	32,715	9.6%
Other[2]	24,342	24,541	24,431	22,919	20,036	5.9%
SUBTOTAL	125,046	138,880	147,237	148,436	133,063	38.9%
(AS % OF TOTAL)	37.3%	39.1%	41.4%	41.3%	38.9%	
			Dependent Students			
CUNY	45,470	49,766	51,150	51,405	51,476	15.0%
SUNY	80,595	81,871	78,307	80,008	79,532	23.2%
Independent	68,005	68,928	64,692	65,625	64,389	18.8%
Other[2]	15,810	15,733	14,200	14,105	13,864	4.0%
SUBTOTAL	209,880	216,298	208,349	211,143	209,261	61.1%
(AS % OF TOTAL)	62.7%	60.9%	58.6%	58.7%	61.1%	
			All Students			
CUNY	75,728	85,429	90,571	92,478	90,863	26.5%
SUNY	118,087	125,749	125,927	127,458	120,457	35.2%
Independent	100,959	103,726	100,457	102,619	97,104	28.4%
Other[2]	40,152	40,274	38,631	37,024	33,900	9.9%
TOTAL	**334,926**	**355,178**	**355,586**	**359,579**	**342,324**	**100.0%**

[1] Recipients are those who received at least 1 term award. Data are as of September 1, 1996.

[2] Includes degree and nondegree nursing and proprietary schools, other nondegree schools, and the Regents College.

The proportion of TAP recipients deemed financially dependent on their parents increased from 58.7% in 1994-95 to 61.1% in 1995-96.

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An additional 27,052 student awards for part-time study, scholarships, fellowships, and special awards were made in 1995-96, totaling $24.9 million.

Table 11

Number of Scholarships & Awards

	Academic Year				
	1991-92	1992-93	1993-94	1994-95	Estimated 1995-96
SCHOLARSHIPS					
Empire State Challenger Scholarships for Teachers *(discontinued in 1992-93)*	664	0	0	0	0
Empire State Public Employees Scholarships *(discontinued in 1994-95)*	0	0	12	24	24
Empire State Scholarships of Excellence	1,114	710	342	39	7
Health Service Corps Scholarships	264	207	177	171	88
Memorial Scholarships for Children and Spouses of Deceased Police Officers / Firefighters *(new in 1991-92)*	70	74	84	75	76
Paul Douglas Teacher Scholarships[1]	201	213	181	180	0
Regents Health Care Opportunity Scholarships	190	171	174	167	155
Primary Care *(new in 1994-95)*	0	0	0	83	152
Regents Professional Opportunity Scholarships	413	422	403	390	405
Robert C. Byrd Honors Scholarships[1]	388	409	398	782	1,175
SUBTOTAL	3,304	2,206	1,771	1,911	2,082
AWARDS					
Aid for Part-Time Study	21,536	22,337	23,353	21,286	23,675
Physicians Loan Repayment[2]		0	0	0	17
Regents Awards for Children of Deceased Correction Officers	4	3	1	2	2
Regents Awards for Children of Deceased and Disabled Veterans	618	642	592	574	578
Regents Loan Forgiveness Program	160	151	153	153	151
Resident Loan Repayment[2]		0	0	111	130
State Loan Repayment[1]		18	39	35	30
Vietnam Veterans Tuition Awards	555	603	566	504	386
SUBTOTAL	22,873	23,754	24,704	25,665	24,969
FELLOWSHIPS					
Empire State Challenger Fellowships for Teachers *(discontinued in 1992-93)*	674	0	0	0	0
Herbert H. Lehman Fellowships	8	1	3	3	0
SUBTOTAL	682	1	3	3	0
All Others[3]	1	2	3	2	1
TOTAL	**26,860**	**25,963**	**26,481**	**27,581**	**27,052**

[1] Federally-funded program.

[2] Non-state funds.

[3] Includes discontinued scholarships in medicine, dentistry, optometry, and veterinary medicine; includes Regents Awards for Children of Deceased State Correction Officers and State Civilian Employees of a Correctional Facility.

Table 12

Dollar Amount of Scholarships & Awards

	Academic Year ($ thousands)				
	1991-92	1992-93	1993-94	1994-95	Estimated 1995-96
SCHOLARSHIPS					
Empire State Challenger Scholarships for Teachers *(discontinued in 1992-93)*	$1,574	$0	$0	$0	$0
Empire State Public Employees Scholarships *(discontinued in 1994-95)*	0	0	105	216	235
Empire State Scholarships of Excellence	1,933	1,346	624	60	13
Health Service Corps Scholarships	3,435	2,818	2,395	2,340	1,233
Memorial Scholarships for Children and Spouses of Deceased Police Officers / Firefighters *(new in 1991-92)*	377	447	459	481	606
Paul Douglas Teacher Scholarships[1]	969	1,002	863	869	0
Regents Health Care Opportunity Scholarships	1,809	1,654	1,617	1,578	1,424
Primary Care *(new in 1994-95)*	0	0	0	966	1,620
Regents Professional Opportunity Scholarships	1,673	1,767	1,710	1,638	1,713
Robert C. Byrd Honors Scholarships[1]	582	614	594	1,168	1,740
SUBTOTAL	$12,352	$9,648	$8,367	$9,316	$8,584
AWARDS					
Aid for Part-Time Study	$11,093	$10,580	$11,304	$13,311	$13,518
Physicians Loan Repayment[2]	0	0	0	0	170
Regents Awards for Children of Deceased Correction Officers	2	1	1	1	1
Regents Awards for Children of Deceased and Disabled Veterans	244	247	233	230	227
Regents Loan Forgiveness Program	1,550	1,473	1,503	1,496	1,505
Resident Loan Repayment[2]	0	0	0	1,104	0
State Loan Repayment[1]	0	270	503	425	348
Vietnam Veterans Tuition Awards	608	728	703	649	492
SUBTOTAL	$13,497	$13,299	$14,247	$17,216	$16,261
FELLOWSHIPS					
Empire State Challenger Fellowships for Teachers *(discontinued in 1992-93)*	$1,632	$0	$0	$0	0
Herbert H. Lehman Fellowships	28	3	13	10	0
SUBTOTAL	$1,660	$3	$13	$10	$0
All Others[3]	$6	$12	$16	$15	$7
TOTAL	**$27,515**	**$22,962**	**$22,643**	**$26,557**	**$24,852**

[1] Federally-funded program.

[2] Non-state funds.

[3] Includes discontinued scholarships in medicine, dentistry, optometry, and veterinary medicine; includes Regents Awards for Children of Deceased State Correction Officers and State Civilian Employees of a Correctional Facility.

Total student aid administered for 1995-96 was $2.18 billion, which exceeded the previous four year historical average by 8%.

Table 13

Aid Administered by HESC[1]

	Academic Year ($ thousands)				
	1991-92	1992-93	1993-94	1994-95	Estimated 1995-96
Loans					
Federal Consolidation Loans	$71,660	$45,369	$66,399	$105,771	$134,205
Federal PLUS Loans	77,429	97,807	111,434	132,101	144,637
Federal Stafford Loans	795,023	853,157	1,013,906	1,076,846	837,007
Federal Supplemental Loans	159,873	187,433	258,092	27,091	1*
Unsubsidized Federal Stafford Loans	0	19,228	106,111	432,252	423,234
TOTAL	**$1,103,985**	**$1,202,994**	**$1,555,942**	**$1,774,061**	**$1,539,084**
Percent Change From Prior Year	13.0%	9.0%	29.3%	14.0%	(13.2%)
Grants and Scholarships					
Tuition Assistance	$510,884	$599,031	$604,601	$630,869	$615,889
Other Grants and Scholarships	27,515	22,962	22,643	26,557	24,852
TOTAL	**$538,399**	**$621,993**	**$627,244**	**$657,426**	**$640,741**
Percent Change From Prior Year	14.9%	15.5%	0.8%	4.8%	(2.5%)
GRAND TOTAL	**$1,642,384**	**$1,824,987**	**$2,183,186**	**$2,431,487**	**$2,179,825**
Percent Change From Prior Year	13.6%	11.1%	19.6%	11.4%	(10.4%)

* Discontinued program.

[1] Loan data are as of March 31, 1996; grant and scholarship data are as of September 1, 1996.

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Table 14

Aid Applications Received and Processed

	Academic Year				
	1991-92	1992-93	1993-94	1994-95	Estimated 1995-96
Received					
Federal Consolidation Loans	3,600	2,200	3,000	4,700	5,700
Federal PLUS Loans	24,600	31,600	26,100	18,200	25,700
Federal Stafford Loans[1]	298,200	328,500	372,700	368,100	323,200
LOAN TOTAL	**326,400**	**362,300**	**401,800**	**391,000**	**354,600**
Percent Change From Prior Year	4.5%	11.0%	10.9%	(2.7%)	(9.3%)
Processed[2]					
GRANT AND SCHOLARSHIP TOTAL	**620,300**	**603,300**	**605,700**	**560,600**	**566,400**
Percent Change From Prior Year	11.9%	(2.7%)	0.4%	(7.4%)	1.0%

Note: Rounded to nearest hundred.

[1] Includes Federal Unsubsidized and Supplemental Loan Applications.

[2] Applications processed are as of May 1 of that academic year.

Over 921,000 grant, scholarship, special award and loan student and parent applications were received and processed.

58 training workshops were held for 2,893 attendees, representing a 12% increase over 1994-95 levels.

Table 15

Training Workshops by Type of Workshop

	State Fiscal Year				
	1991-92	1992-93	1993-94	1994-95	1995-96
HESC Staff Training					
Sessions Held	0	0	5	6	5
Attendance	0	0	183	206	249
Administrative					
College Financial Aid Personnel, Opportunity Program Directors, and Other Counselors					
Sessions Held	24	27	13	17	22
Attendance	1,101	2,334	1,340	879	1,038
High School Counselors					
Sessions Held	15	15	15	15	15
Attendance	946	1,253	1,219	1,244	1,237
Lender Training					
FFEL Administrators					
Sessions Held	21	24	20	14	16
Attendance	552	849	670	249	369
TOTAL SESSIONS HELD	**60**	**66**	**53**	**52**	**58**
TOTAL ATTENDANCE	**2,599**	**4,436**	**3,412**	**2,578**	**2,893**

Table 16

Customer Services

	State Fiscal Year 1994-95	1995-96
Field Visits		
Customer Service Representative Lender Visits	44	35
Customer Service Representative College Visits	159	139
Customer Service Representative NYSFAAA Visits	42	57
Customer Service Representative Other Professional Association Visits	50	25
Solutions Visits	59	98
Institutional Compliance Review Visits	24	13
Institutional Technical Assistance Visits	7	17
Help Desk Calls Received		
Lenders	613	659
Colleges	1,967	2,389
Policy Unit		
Client Calls	14,774	12,709
Internal Audit		
Lender Reviews	34	30
HESC Visitor Desk		
Visitors Served	1,442	1,394
Servicer Unit		
Student Calls	3,450	4,017
Administrative Reviews		
Cases Received	660	990
GRAND TOTAL	**23,325**	**22,572**

Nearly 22,600 customer service activities were conducted, including 384 field visits, 1,394 visitors, 12,709 individual client calls, 4,017 servicer unit student calls (+16%) and 3,048 Help Desk calls handled (+18%).

TABLE 17

Publication & Video Distribution

Publication	Institutional Requests	Individual Requests	Total Requests
	State Fiscal Year 1995-96		
Aid for Part-Time Study Fact Sheet	10,586	394	10,980
Borrowing for College Brochure	78,083	38	78,121
Child of Veteran Fact Sheet	6,051	186	6,237
Federal PLUS Loan Brochure	118,557	211	118,768
Financial Aid Wall Chart	12,472	8,700	21,172
Graduate and Professional Students in NYS Fact Sheet	2,388	581	2,969
How To Apply Fact Sheet (English)	425,939	5,264	431,203
Paying Back Your Loan Brochure	138,868	155	139,023
Special Scholarships and Fellowships Fact Sheets[1]	59,543	10,632	70,175
TAP Fact Sheet	13,609	145	13,754
Vietnam Veterans Fact Sheet	9,551	162	9,713
Your Rights and Responsibilities Brochure	110,279	0	110,279
TOTAL	**985,926**	**26,468**	**1,012,394**
Video			
What You Need To Know About Financial Aid	494	N/A	494
How To Apply For Financial Aid	532	N/A	532
Your Student Loan	301	N/A	301
TOTAL	**1,327**	**N/A**	**1,327**

[1] Includes Memorial, NYS Health Service Corp, NYS Regents Health Care, NYS Regents Professional Opportunity, Paul Douglas Teachers, and Robert C. Byrd.

Over 1.01 million publications were distributed, with over 25,000 going directly to individuals, and the remainder to high schools, colleges, libraries, lenders, etc. This was augmented by the distribution of 1,327 videos and by 2,598 free HESC ABLE-2 computer diskettes.

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New York State

Higher Education Services Corporation

Guaranteed Student Loan Programs

Financial Statements

March 31, 1996 and 1995

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

Board of Trustees
New York State Higher Education
Services Corporation

We have audited the accompanying balance sheets of the Guaranteed Student Loan Programs of the New York State Higher Education Services Corporation (HESC) as of March 31, 1996 and 1995, and the related statements of revenue, expenses and changes in fund balances, and cash flows for the years then ended. These financial statements are the responsibility of HESC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Guaranteed Student Loan Programs of the New York State Higher Education Services Corporation as of March 31, 1996 and 1995, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

June 19, 1996

NEW YORK STATE HIGHER EDUCATION SERVICES CORPORATION GUARANTEED STUDENT LOAN PROGRAMS

Balance Sheets

March 31, 1996 and 1995

	1996	1995
ASSETS:		
Cash and cash equivalents (Note 12)	$ 134,225,663	128,955,889
Receivable from U.S. Department of Education (Note 5)	60,776,472	51,643,752
Insurance premium receivable	1,193,894	3,024,600
Accrued investment income	786,985	696,034
Deferred administrative expenses (Note 13)	8,218,158	7,559,912
Prepaid expenses and other assets	70,290	–
Leased equipment, net (Notes 1 and 7)	27,557	237,501
Total Assets	$ 205,299,019	192,117,688
LIABILITIES:		
Accrued expenses	$ 4,407,237	6,547,070
Bank checks outstanding, net of bank balances (Note 12)	14,867,694	9,142,425
Reinsurance collections	16,376,704	24,664,412
Due to New York State (Note 2)	3,417,888	2,956,523
Advances from U.S. Department of Education (Note 6)	10,300,348	10,300,348
Obligations under capital leases (Note 7)	28,678	268,716
Other liabilities (Note 15)	2,660,232	562,985
	52,058,781	54,442,479
Deferred student loan insurance premiums (Note 13)	57,909,647	57,419,011
	109,968,428	111,861,490
FUND BALANCE:		
Reserve for future default loans (Note 3)	52,500,000	41,400,000
Other reserves (Note 16)	42,830,591	38,856,198
	95,330,591	80,256,198
Total Liabilities and Fund Balance	$ 205,299,019	192,117,688

See accompanying notes to financial statements.

NEW YORK STATE HIGHER EDUCATION SERVICES CORPORATION GUARANTEED STUDENT LOAN PROGRAMS

Statements of Revenue, Expenses and Changes in Fund Balances

Years Ended March 31, 1996 and 1995

	1996	1995
REVENUE:		
Investment income	$ 7,503,146	5,755,202
Reimbursement from U.S. Department of Education on defaulted loan purchases	246,581,080	204,234,604
Defaulted loan collections	133,444,096	133,124,862
Reimbursement of administrative cost (Note 4)	17,135,376	19,295,445
Insurance premiums earned (Note 13)	10,401,502	9,862,329
Other	607,006	236,904
Total revenue	415,672,206	372,509,346
EXPENSES:		
Purchases of defaulted loans from lenders	247,816,047	203,571,230
Payment of defaulted loan collections to U.S. Department of Education	95,853,894	95,269,409
Interest and special allowance to lenders	138,334	405,070
Salaries and employee benefits	30,085,231	35,255,965
Collection expenses	13,462,975	16,706,815
Transfer to New York State (Note 14)	–	2,500,000
Other general and administrative expenses	13,241,332	14,683,444
Total expenses	400,597,813	368,391,933
Excess of revenue over expenses	15,074,393	4,117,413
Fund balances at beginning of year	80,256,198	76,138,785
Fund balances at end of year	$ 95,330,591	80,256,198

See accompanying notes to financial statements.

NEW YORK STATE HIGHER EDUCATION SERVICES CORPORATION GUARANTEED STUDENT LOAN PROGRAMS

Statements of Cash Flows

Years Ended March 31, 1996 and 1995

	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from U.S. Department of Education on defaulted loans purchased	$ 241,659,731	195,013,421
Receipts from defaulted loan collections	133,444,096	133,124,862
Receipts from U.S. Department of Education and New York State for administrative costs	13,385,370	19,066,023
Payments for salaries, employee benefits, collection expenses, contractual expenses and other expenses	(59,511,697)	(68,204,727)
Investment income	7,412,195	5,285,841
Receipts from borrowers as insurance premiums	12,722,844	16,314,040
Other operating receipts (payments)	2,496,549	(561,583)
Transfer to New York State	–	(2,500,000)
Payments to purchase defaulted loans from lenders	(242,090,778)	(196,016,925)
Payments to reimburse the U.S. Department of Education on defaulted loan collections	(104,141,602)	(87,007,587)
Payments to lenders as interest and special allowance	(106,934)	(372,470)
Net cash provided by operating activities	5,269,774	14,140,895
Cash and cash equivalents, beginning of year	128,955,889	114,814,994
Cash and cash equivalents, end of year	$ 134,225,663	128,955,889

See accompanying notes to financial statements.

	1996	1995
RECONCILIATION OF EXCESS OF REVENUE OVER EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Excess of revenue over expenses	$ 15,074,393	4,117,413
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:		
Depreciation	209,944	424,145
Acquisition of leased equipment	–	(14,006)
Changes in assets and liabilities:		
Increase in receivable from U.S. Department of Education	(9,132,720)	(9,939,954)
Decrease (increase) in insurance premium receivable	1,830,706	(1,292,259)
Increase in accrued investment income	(90,951)	(469,361)
Increase in deferred administrative expenses	(658,246)	(522,536)
Increase in prepaid expenses and other assets	(70,290)	–
Decrease in accrued expenses	(2,139,833)	(698,271)
Increase in bank checks outstanding, net of bank balances	5,725,269	7,554,305
Increase (decrease) in reinsurance collections	(8,287,708)	8,261,822
Increase (decrease) in due to New York State	461,365	(394,279)
Decrease in obligations under capital leases	(240,038)	(208,305)
Increase (decrease) in other liabilities	2,097,247	(421,789)
Increase in deferred student loan insurance premiums	490,636	7,743,970
Net cash provided by operating activities	$ 5,269,774	14,140,895

See accompanying notes to financial statements.

NEW YORK STATE HIGHER EDUCATION SERVICES CORPORATION GUARANTEED STUDENT LOAN PROGRAMS

Notes to Financial Statements

March 31, 1996 and 1995

(1) ACCOUNTING POLICIES AND GENERAL

(a) Nature of Operations

New York State Higher Education Services Corporation (HESC) is an agency of New York State created in 1974 under Chapter 942 of the Laws of 1974 (NYS) and is primarily responsible for the administration of New York State's financial aid programs, including the federal and State loan guarantee programs. The general purpose of HESC is to improve postsecondary educational opportunities of eligible students through centralized administration of New York State's financial aid programs.

(b) Basis of Presentation

The accompanying financial statements reflect HESC's Guaranteed Student Loan (GSL) programs activities only and are prepared on the accrual basis of accounting. The GSL programs consist of predominantly the Federal Family Education Loan (FFEL) Program under which banks and other lending organizations issue loans to eligible students for qualified study at eligible schools that are guaranteed by the U.S. Department of Education (ED). In addition, the GSL programs include the residual activity of a State guaranteed loan program in which no new loans have been guaranteed since 1984.

HESC also administers the Tuition Assistance Program under which students apply for payments to attend particular educational institutions based on family income and/or academic achievement. The financial statements of the Tuition Assistance Program are not included in the accompanying financial statements.

In the prior year, HESC presented the GSL programs activities in the financial statements in two funds, the Guaranteed Student Loan Fund and Insured Student Loan Administrative Account. During the current year HESC determined a combined presentation to be preferable to the two fund presentation. The prior year financial statements have been combined and reclassified to conform with the current year presentation for comparative purposes. The effect on the prior year was to reduce revenues and expenditures by $35,189,110 related to activity between the two funds, with no affect on fund balances.

HESC is discretely presented as a component unit in the State of New York's financial statements.

(c) Cash Equivalents

Cash equivalents are short-term investments with remaining maturities of three months or less when purchased (generally short-term United States Treasury Bills and collateralized repurchase agreements). Cash equivalents are recorded at cost, which approximated market value at March 31, 1996 and 1995. The carrying value of treasury bills is adjusted for accretion of purchase discounts.

(d) Purchases of Defaulted Loans

Purchases of loans in default are recorded as an expense at the time of payment to lenders and a reimbursement (reinsurance) receivable from the ED is recognized for the federal guaranteed portion. Purchases of loans in default are recorded net of amounts repurchased by lenders.

Reimbursement to the federal government for collections on defaulted loans is recorded at the time such collections are received. Generally, the FFEL Program was reimbursed at the rate of 27% for costs incurred in collecting defaulted loans. Reimbursement on consolidations and rehabilitation loans is limited to 18.5%.

(e) Insurance Premiums

Student loan insurance premiums are recognized as a receivable upon notification of loan disbursements by lenders. Insurance premiums and related direct costs are deferred and amortized on a straight-line basis over the average life of the loan guarantees to match revenues with expenses over the period the loans are serviced.

(f) Furniture, Fixtures and Equipment

Furniture, fixtures and equipment are charged to operations when purchased and are not capitalized with the exception of certain leased equipment. HESC leases computer hardware under capital leases from the New York State Office of General Services through certificates of participation. The leased equipment is amortized on a straight-line basis over the life of the lease, and is removed from HESC's records when fully amortized. Leased equipment is as follows:

	1996	*1995*
Computer hardware	$ 1,040,390	3,010,190
Less accumulated amortization	(1,012,833)	(2,772,689)
	$ 27,557	237,501

(g) Reclassifications

Certain amounts for 1995 have been reclassified to conform to the 1996 presentation.

(2) DUE TO NEW YORK STATE

HESC has received revenue from New York State in excess of expenditures for the State loan program and has recorded a liability to the State. Changes in the accrued liability are as follows:

	1996	*1995*
Accrued liability, beginning of year	$ 2,956,523	3,350,802
NYS revenue in excess of (less than) expenditures	266,309	(585,889)
Accrued interest payable	195,056	191,610
Accrued liability, end of year	$ 3,417,888	2,956,523

(3) GUARANTEED STUDENT LOANS OUTSTANDING AND IN DEFAULT

As of March 31, 1996 and 1995, HESC was the guarantor of loans outstanding with original principal amounts of approximately $11,845,000,000 and $12,800,000,000, respectively, made to students by participating lending institutions. Approximately 98% of that amount is guaranteed by ED, with a small amount guaranteed by the State of New York. At March 31, 1996 the unpaid balance was approximately $8,217,000,000.

HESC management anticipates that a certain portion of the loans outstanding as of March 31, 1996, will go into default status requiring HESC to purchase loans from lenders. Because the majority of the funds required to purchase defaulted loans are reimbursed by the ED, the net cost to HESC is estimated by management to be no more than 2% of the amounts purchased. These unreimbursed costs will be incurred in future years as loans default and will be partially offset by the annual amortization of insurance premiums. A fund balance reserve for future default loans of $52,500,000 has been established to meet the anticipated uninsured losses, as well as certain administrative service costs over the life of the loans. The reserve and deferred student loan insurance premiums combined total approximately $110,400,000.

(4) REIMBURSEMENT OF ADMINISTRATIVE COST

HESC bills and collects Administrative Cost Allowances (ACA) from ED for costs incurred in administering the FFEL Program. Reimbursement is limited to the lessor of administrative costs incurred or 1% of all new loans guaranteed each quarter.

HESC also bills and collects Supplemental Preclaim Assistance (SPA) from ED for administrative expenses incurred in attempting to avert losses on loans that eventually go into default. Effective October 1, 1993, SPA of 1% of the unpaid principal balance and accrued interest on the loan is claimed for each account on which SPA was performed between the 120th and 270th day of delinquency and the aversion was successful.

The reimbursement of State loan program administrative costs are netted against the State funds expended for federal program costs resulting in an amount due to New York State of $266,309 in fiscal year 1996 and $585,889 due from New York State in fiscal year 1995.

During the years ended March 31, 1996 and 1995, HESC recognized the following:

	1996	*1995*
ACA revenue	$ 13,701,843	16,345,792
SPA revenue	3,292,501	2,784,698
Reimbursement of state loan program administrative costs	141,032	164,955
Reimbursement of administrative cost	$ 17,135,376	19,295,445

(5) RECEIVABLE FROM U.S. DEPARTMENT OF EDUCATION

For the years ended March 31, 1996 and 1995, the amount receivable from U.S. Department of Education consisted of the following:

	1996	*1995*
Reinsurance receivable	$ 49,458,520	44,537,171
ACA receivable	10,380,529	6,187,441
SPA receivable	937,423	919,140
	$ 60,776,472	51,643,752

(6) ADVANCES FROM U.S. DEPARTMENT OF EDUCATION

HESC has received, in prior years, non-interest bearing advances from the ED for the purpose of helping to strengthen the FFEL Program through the infusion of additional working capital. Under the terms of the agreement, HESC will be required to repay these advances at such time as the amount of federally guaranteed loans outstanding (approximately $8,217,000,000 as of March 31, 1996) is reduced to less than $54,950,000.

(7) LEASES

HESC has entered into a variety of leases, primarily for the use of office space and equipment, which are accounted for as operating leases. The operating lease for office space expired March 31, 1995. The space has been subsequently leased on a month-to-month basis. In addition, HESC has an option to purchase equipment under leases which are accounted for as capital leases.

Future minimum payments under all noncancelable leases having initial or remaining terms in excess of one year as of March 31, 1996, are as follows:

Fiscal Year	*Capital Leases*
1997	$ 27,152
1998	2,534
	29,686
Less amount representing interest	1,008
Obligations under capital leases	$ 28,678

Total rental expense (including utilities) for the years ended March 31, 1996 and 1995, under operating leases approximated $2,746,000 and $2,596,000, respectively.

(8) PENSION BENEFITS

Substantially all employees of HESC are members of the New York State and Local Employees' Retirement System (System), a cost-sharing, multiple employer public employee retirement

system. The State Comptroller is sole trustee and administrative head of the System. The System issues a publicly available financial report that includes financial statements and required supplementary information which may be obtained by writing to New York State and Local Employees' Retirement System, Alfred E. Smith Office Building, Albany, New York 12244.

The System provides retirement benefits as well as death and disability benefits. All benefits vest after ten years of accredited service. Retirement benefits are established by the New York State Retirement and Social Security Law. Retirement benefits and contributory requirements depend upon the point in time at which an employee last joined the System. Most members of the System who joined before July 27, 1976 are enrolled in a noncontributory plan; HESC contributes the entire amount determined to be payable to the System. Personnel who joined the System after July 27, 1976 are required by law to contribute three percent of their gross salary; HESC contributes the balance payable to the System for these employees.

Effective April 1, 1990, the State Legislature amended the Retirement and Social Security Law and mandated a change in the actuarial funding method from the aggregate cost funding method to a modified projected unit credit funding method. This new method utilized a rolling amortization period for differences between actuarial assets and actuarial accrued liabilities, of which approximately 17% of such differences were recognized as credits each year in determining the funding amount. The legislated change was later found by the State Court of Appeals to be unconstitutional. Consequently, the System returned to the aggregate method on April 1, 1994 using a four-year phase-in.

HESC paid to the New York State Comptroller's Office $1,080,473 for 1996, $352,661 for 1995 and $708,163 for 1994 to cover required employer contributions for retirement benefits. These payments made represent 4.65%, 1.43%, and 3.08% of covered payroll for each of the years, respectively.

(9) POST RETIREMENT HEALTH CARE BENEFITS

HESC provides certain health care benefits for retired employees. Substantially all of HESC's employees may become eligible for these benefits if they reach their normal retirement age while working for HESC. Substantially all of the costs of providing retirees' health care benefits are paid by the State of New York and are included in the fringe benefit rate charged to HESC.

(10) EMPLOYEES' VACATION PAY BENEFITS

HESC's policy is to account for the costs of employees' vacation pay benefits as they are paid rather than when earned. This policy has not had a material effect on the results of operations of any individual year. However, generally accepted accounting principles require that such costs be accrued as earned. HESC has determined that the liability for employees' vacation pay benefits approximates $2,064,000 and $2,115,000 as of March 31, 1996 and 1995, respectively. This liability is not reflected in HESC's financial statements.

(11) DEFERRED COMPENSATION

New York State offers its employees, including HESC employees, a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the State (without being restricted to the provisions of benefits under the plan), subject only to the claims of the State's general creditors. Participants' rights under the plan are equal to those of general creditors of the

State in the amount equal to the fair market value of the deferred account for each participant. The assets and liabilities related to this plan are recorded in the State's financial statements.

(12) CASH AND CASH EQUIVALENTS

HESC invests excess cash in short-term United States Treasury Bills and in collateralized short-term repurchase agreements. The HESC's cash and cash equivalents at March 31 were as follows:

	1996	*1995*
Treasury bills	$ 111,167,809	98,593,020
Repurchase agreements	21,360,000	28,840,000
Subtotal	132,527,809	127,433,020
Cash in New York State Comptroller's short-term investment pool	1,632,854	1,457,869
Petty cash and travel imprest accounts	65,000	65,000
Total Cash and Cash Equivalents	$ 134,225,663	128,955,889

HESC requires collateral of federal government obligations or agency instruments guaranteed by the federal government pursuant to investments in repurchase agreements and delivery to its Trustee (agent) of all securities purchased and collateral for repurchase agreements, regardless of the seller institution.

As of March 31 the cost and market value of cash equivalents are as follows:

Held by HESC's agent in HESC's name

	Cost	*Market Value*
1996	$ 132,527,809	133,180,751
1995	127,433,020	128,082,023

HESC actively manages the investment of its cash balances to minimize its uninvested funds. Cash balances are generally invested in short-term repurchase agreements until such time that it anticipates that checks written will be charged to its bank accounts. Included in the bank balances are approximately $2,282,200 for 1996 and $216,400 for 1995 which were collected from lenders to be paid to schools under an electronic funds transfer program. At March 31, the bank balances were as follows:

	1996	*1995*
Outstanding bank checks	$ 27,839,542	24,954,108
Bank balance	(12,971,848)	(15,811,683)
Bank checks outstanding, net of bank balances	$ 14,867,694	9,142,425

(13) INSURANCE PREMIUMS

HESC defers and amortizes the student loan insurance premiums received and certain loan origination costs incurred and paid on a straight-line basis over the average lives of the loans (ten years). The deferred student loan insurance premiums ($57,909,647 and $57,419,011, respectively) were received and the deferred expenses ($8,218,158 and $7,559,912, respectively) were incurred and paid during the ten fiscal years preceding March 31, 1996 and 1995, respectively.

(14) TRANSFER TO NEW YORK STATE

During the fiscal year ended March 31, 1995, HESC transferred to New York State $2,500,000. This amount represented a portion of the State loan guarantee program funds no longer needed for program administration. A determination was made by the State to transfer these funds to the State for other purposes. HESC recognized this transfer as an expense of its State loan guarantee program.

(15) CONTINGENCIES

HESC has various issues outstanding which may result in payments to ED. The issues relate to potential violations of rules and regulations established by ED to administer the federal loan program. No liability has been recorded in the financial statements since the amounts cannot be determined. However, in management's opinion, the ultimate liabilities will not be material.

Management diligently attempts to interpret ED's rules and regulations, and believes that their implementation of policies and procedures properly adheres to those rules and regulations.

The Department of Education Federal Family Education Loan Program Final Rule dated April 29, 1994, implemented new federal policy for the federal student loan program forgiving loans, made on or after January 1, 1986, of borrowers unable to complete a course of study in which they were enrolled because of the school's closure. Under previous regulations governing the federal student loan program, if a school closed during a term, the student borrower was only released from the obligation to repay the pro rata portion of the loan for the period from when the school closed until the normal end of the term. HESC had been complying with the provisions of New York State Education Law which prohibits lenders and HESC from pursuing collection of any portion of a student's loan for the term during which the school closed. The operation of this New York State law resulted in prior years' forgiveness of a larger portion of loans than the federal regulations authorized. A $300,000 reserve is included in other liabilities for those loans not meeting the criteria for reimbursement under the new federal regulations.

(16) OTHER RESERVES

In accordance with federal regulations, these funds are available only for Federal Family Education Loan Program purposes.

HESC Advisory Groups

HESC acknowledges the advisory groups and focus groups who regularly provide input to development of HESC programs and services.

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Westchester Business Institute

[redacted]

Association of Proprietary Colleges

Clock-Hour Practical Nursing Financial Aid Network

Commission on Independent Colleges and Universities

Community College Business Officers Association

Eastern Association of Student Financial Aid Administrators

New York State Financial Aid Administrators Association

New York State Organization of Bursars and Business Administrators

New York State Transfer and Articulation Association

State University of New York Financial Aid Professionals

State University of New York Registrars Association

HESC
Higher Education Services Corporation

Full Services for Financing Higher Education

Services for Students and Their Parents

- A single source for the New York State Tuition Assistance Program, Scholarships, and the Federal Family Education Loan Program
- Special "800" line for student loan status inquiries
- Publications and Web site to provide student financial aid information
- Walk-in Information Center where students and parents can receive personal assistance
- Student financial aid videos to explain federal and New York State student financial aid programs and how to apply for them
- Servicer Unit to assist and help find resolutions for students with secondary markets, loan servicers, or lender discrepancies
- Co-sponsor of Financial Aid Awareness Month (FAAM) each January with the New York State Financial Aid Administrators Association (NYSFAAA). FAAM is a statewide, public education effort to encourage college attendance and to provide financial aid information
- Ready, Set, Go! Early Awareness Project to provide student financial aid information as part of the school curriculum to students in grades 6 through 12 and to parents
- Outreach programs to bring student financial aid information to students and parents at college fairs and public events

Services for Colleges and Lenders

- Customer Service Representatives to meet the needs of the financial aid and lending community
- Training workshops for lender and college professionals
- Technical Assistance visits to help institutions meet State and federal requirements
- Solutions Team visits to help institutions select and install the electronic services most appropriate to their needs
- Loan counseling and debt management materials to assist in counseling borrowers
- Special telephone service units to provide administrative assistance and policy guidance to lenders and college aid professionals
- Loan processing reports, update bulletins, and loan volume statistical reports to provide regulatory guidance and funding information
- Advisory groups to ensure that client needs are recognized and addressed
- Help Desk to resolve problems that institutions may have in using the electronic services offered by HESC
- Electronic Financial Aid Network (EFAN) to provide quick and efficient processing and tracking of students' loans and State grants. (EFAN includes all of HESC's electronic products and services for mainframe communications, networks, personal computers, tapes, and diskettes.)
- Program Access To HESC (PATH) to provide unified access to HESC microcomputer products and an easy-to-use, menu-driven system
- Pre-Approved Loan (PAL) to provide paperless Application / Promissory Note processing with rapid resolution of any application errors
- TRANSFORMER (a feature of PATH software) to convert existing electronic files into the HESC format, thereby reducing data entry
- INQUIRY to allow online access to information on students' grant and loan records. (Lenders can also check the status of Pre-Claim Assistance requests and Default Claims.)
- Escrow EFT (Electronic Funds Transfer) to enable lenders to disburse electronically Federal Stafford and Federal PLUS proceeds via HESC to colleges, thereby eliminating paper checks and speeding fund disbursement
- Online updates to allow schools or lenders to make immediate changes in students' records
- E-mail to allow communication with HESC staff and receipt of HESC bulletins and notices on the Internet and on other electronic networks
- Computer software (ABLE-2) to estimate grants, scholarship, and loan eligibility

Services for Other Organizations and Governments

- Monitor changes in federal loan and grant policy
- Analyze and provide costings of legislation and budget proposals
- Analyze studies and special reports
- Reach out to other higher education professionals

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